

MINUTES OF THE JOINT EXECUTIVE APPROPRIATIONS COMMITTEE

June 17, 2008 at 1:00 p.m.

Room C445, State Capitol, State Capitol Complex

Members Present:	Sen. Lyle W. Hillyard, Co-Chair Rep. Ron Bigelow, Co-Chair Sen. Peter C. Knudson, Vice Chair Sen. Curtis S. Bramble Rep. Greg J. Curtis, Speaker Sen. Gene Davis Rep. Brad Dee Sen. Mike Dmitrich Sen. Brent H. Goodfellow Sen. Patricia W. Jones Sen. Sheldon L. Killpack Rep. Brad King Rep. David Litvak Rep. Carol Spackman Moss Rep. Phil Riesen Rep. Gordon E. Snow Sen. John L. Valentine, President
Members Excused:	Rep. David Clark Sen. Dan R. Eastman Rep. Rebecca D. Lockhart, Vice Chair
Staff Present:	Steven Allred, Deputy Director, LFA Andrea Wilko, Chief Economist, LFA Greta Rodebush, Legislative Secretary
Speakers Present:	Tenielle Young, Governor's Office of Planning and Budget Kathryn Rowley, Department of Health Danny Schoenfeld, LFA Dr. Thomas Young, LFA Russell Frandsen, LFA Mark Bleazard, LFA Stuart Adams, Transportation Commission John Njord, Utah Department of Transportation Stan Eckersley, LFA Jeff Jensen, PEHP

Note: A list of visitors, a copy of related materials, and an audio recording of the meeting can be found at www.le.utah.gov.

1. Call to Order - Approval of Minutes

Committee Co-Chair Bigelow called the meeting to order at 1:12 p.m.. He recognized Co-Chair Hillyard for a motion.

8/19/08 09:18:32

MOTION: Co-Chair Hillyard moved to approve the minutes from May 20, 2008. The motion passed unanimously with Sen. Bramble, Sen. Davis, and Sen. Dmitrich absent for the vote.

2. Federal Funds/Non-Federal Grants Report

Tenielle Young, Governor's Office of Planning and Budget, presented the Federal Funds Report through May 31, 2008. There were no new grants and two reapplications of existing grants requiring legislative action. Ms. Young also noted that one new grant and one reapplication of existing grants had been approved by the Governor's Office.

Co-Chair Bigelow asked if the federal grant award amount for the Department of Natural Resources' Coal Regulatory Grant Program had changed. Tenielle Young stated that the federal amount had increased, but not significantly, and that the state match had decreased.

MOTION: Co-Chair Hillyard moved to approve two reapplications of existing grants requiring legislative action through May 31, 2008 listed in the Federal Funds Report. The motion passed unanimously.

In addition to the Federal Funds Report, Ms. Young presented the Non-Federal Grants Report through May 31, 2008. There were two new non-federal grants and no reapplications of existing non-federal grants requiring legislative action. There were no new non-federal grants or reapplications of existing non-federal grants approved by the Governor's Office.

Co-Chair Bigelow inquired about the \$102,000 local/other match for the Department of Health's Making Strides Investment Program with the American Cancer Society. Katharine Rowley, Department of Health, explained that the \$102,000 is not a match but will come through an existing federal Breast and Cervical Cancer Program to do media campaigns.

MOTION: Co-Chair Hillyard moved to approve the two new non-federal grants through May 31, 2008 listed in the Non-Federal Grants Report. The motion passed unanimously.

3. Fees Report

Co-Chair Bigelow informed the committee that a revised Fees Report was placed under Tab 3.

Danny Schoenfeld, LFA, and Thomas Young, LFA presented the "Interim Report: Fees and Fee Revenue, June 17, 2008." The report examined statutory fee requirements, reviewed the accuracy of fee revenue estimates, and analyzed revenues from fees compared with tax revenue and compensation increases. Fees charged to the public totaled \$263 million in FY 2007, or 2.5% of the state budget.

Based on the information and research gathered as noted in the report, the Legislative Fiscal Analyst recommends the following:

1. Legislators clarify in statute that all fees charged by an agency must be submitted to the

Legislature and approved in an appropriations act;

2. The Legislature require that agencies provide to the Legislature reports to show how fee revenues will compare with all direct and indirect costs;
3. The Legislature clarify that regulatory fees are subject to public hearing prior to appropriations subcommittee meetings as defined in statute;
4. The Executive Appropriations Committee direct the Legislative Fiscal Analyst, Governor's Office of Planning and Budget, and agencies to better forecast fee revenue prior to an annual general session;
5. Appropriations subcommittees set-aside new fee based revenue sufficient to pay compensation increases prior to approving fee revenue appropriations for expanded programs and/or projects, and that subcommittees report projected revenue, presumed fee-based compensation increases, and fee-based building block appropriations to the Executive Appropriations Committee.

Sen. Goodfellow asked if fees in higher education were included in the fee revenue figures. Dr. Young responded that they were not.

Sen. Jones referenced Figure 2 which compares total estimated growth from fee changes to total actual growth in fee revenue. The chart shows a significant increase in total fee revenue for the years 2004-2007. The report attributes this increase largely to demand growth in services for which a fee didn't change, or to an underestimation of revenue from new fees and changed fees. Dr. Young stated that the top ten fee increases for the years 2004-2007 are listed in Table 3. Mr. Schoenfeld added that this information was provided by the Division of Finance.

Rep. Snow inquired about Recommendation 4 that directs the Office of the Legislative Fiscal Analyst to do a better job in projecting fee revenues. Steve Allred, Deputy Director, LFA, explained that at the time appropriations subcommittees meet to hear agency priorities requests, compensation packages have not been determined. LFA hopes to provide a better estimation of total fee revenues up front so that subcommittees can set-aside new fee based revenue sufficient to pay for compensation increases prior to approving fee revenue for expanded programs and/or projects.

Pres. Valentine asked if fees becoming a larger or smaller portion of the state budget. The report indicates that 2.5% of the state budget in 2007 is generated by fees. Dr. Young responded that fee revenues are growing faster relative to the General Fund and also as a percentage of the total state budget.

Pres. Valentine asked how the appropriations subcommittees will be able to determine set-aside new fee-base revenues when they do not know what the compensation packages are going to be. Mr. Allred stated that generally, the Governor's recommendation for compensation is relatively close to or slightly higher than what the Legislature ends up going with. Mr. Allred said that it would be safe to go with the Governor's recommended compensation increase.

Pres. Valentine asked if Recommendation 5 should be modified to read, "Appropriations subcommittee set-aside new fee based revenue sufficient to pay the Governor's recommended compensation increase." Mr. Allred replied that LFA would make this modification if Executive Appropriations Committee agreed to this change.

Sen. Hillyard asked which public education fees are included in the fee revenue figures. Mr. Schoenfeld clarified that only teacher licensure fees are included.

Sen. Hillyard also asked about legislative approval of fee increases for Fish and Game licenses. Mr. Schoenfeld explained that each agency is required by law to conduct a public hearing on any proposed new regulatory fee. If there is an increase or a decrease to an existing fee, then those changes are submitted to the respective appropriations subcommittee for approval.

Sen. Hillyard remarked that some agencies are not able to generate enough money to cover the compensation package despite increases to fees.

Co-Chair Bigelow invited the agencies to comment on the report. No comments were made.

Co-Chair Hillyard asked if the committee needed to take any action on the five recommendations. Co-Chair Bigelow entertained a motion from Co-Chair Hillyard.

MOTION: Co-Chair Hillyard moved that the Co-Chairs and Vice Chairs of the Appropriations Subcommittees study the five recommendations, and prepare legislation for the upcoming session if necessary.

There was discussion to the motion.

Rep. Snow had some concern about Recommendation 5 that recommends appropriations subcommittees to set-aside new fee based revenue sufficient to pay compensation increases prior to approving fee revenue appropriations for expanded programs and/or projects.

Sen. Hillyard responded that the report raises some important issues that need to be discussed.

Co-Chair Bigelow pointed out that any changes would have to be done statutorily. He stated that one option may be to include these changes in the proposed Budgetary Procedures Act Recodification. He reiterated that before any action is taken, there certainly will be more discussion.

A vote was taken on the motion. The motion passed unanimously.

4. Transportation Projects Funded by Bonds (UCA 72-2-125) and Utah County I-15 Progress Reports

Mark Bleazard, LFA, explained that provisions of Title 72-2-125 UCA created a restricted special revenue fund entitled the Critical Highway Needs Fund and authorized bonding authority of \$1.2 billion

for critical highway needs in the state. The Legislature directed the Department of Transportation to establish a list of road projects that will be maintained, constructed, reconstructed using the funding. The department is required prior to authorizing bond issuance in any fiscal year to present a list of projects and the amount of bond proceeds needed to Executive Appropriations Committee.

Mr. Bleazard introduced Stuart Adams, Chairman, Transportation Commission, and John Njord, Executive Director, Utah Department of Transportation, who presented the project list and the amount of bond proceeds needed to fund the projects. They also commented on the I-15 rebuild in Utah County.

Stewart Adams, Chairman, Transportation Commission, expressed appreciation to the Legislature in establishing the Critical Needs Highway Fund which is funded out of the General Fund sales tax revenue. He explained that it is very difficult to fund transportation infrastructure using gas tax that has remained static since 1998. Mr. Adams pointed out that the project list is statewide, meets statutory criteria, and is based on input from the public, MPO's, and local elected officials.

John Njord, Executive Director, Utah Department of Transportation, informed the committee that the Department has been busier than it has ever been, working feverishly to deliver the list of transportation projects. Mr. Njord reported on the bonding needs to complete these projects. The Department anticipates that next year's bond will need to be \$398 million, \$500 million the following year, and finally, \$200 million in the subsequent year. He also commented on the \$100 million bonding arranged through a one-quarter of a quarter cent program for local government projects. Thus far \$70 million has been bonded and an additional \$30 million will need to be bonded this year as well.

Sen. Killpack recommended that the \$398 million and \$30 million bonds be issued together to gain some financial efficiencies. Mr. Njord stated that the department had anticipated issuing the \$398 million bond in October, and the \$30 million bond sometime prior to this. Sen. Killpack stated that issuing a single bond would create efficiencies that could go into infrastructure.

Speaker Curtis declared a potential conflict of interest, noting that his law firm has a client that owns property adjacent to one of the projects on the list.

Sen. Jones thanked the Utah Department of Transportation for communicating to our citizens what the expectations will be regarding the transportation projects. She mentioned the Innovate 80 in particular.

Rep. Dee asked how the project list differs from the lists generated by the local Metropolitan Planning Organizations (MPO's) and county governments. Stuart Adams stated that this list was prepared according to statute and may or may not reflect some of the long range plan lists of the local MPO's. Mr. Adams indicated that the MPO's are well aware of the final project list and have expressed written support of the list.

Rep. King observed that the list includes projects that address the non urban transportation needs of the state. He also asked if this is a good time for bonding. Mr. Njord stated that the department relies on expert's in the Treasurer's Office who will be traveling to New York in September to engage in bond discussions prior to issuance in October.

Mr. Njord invited committee members to observe the placement of an overpass bridge onto Highland Drive on Saturday, June 21, at 9 p.m. To date, seven bridges have been built at a bridge farm and another 43 are planned for the future.

I-15 Utah County

Mr. Njord reported on the status of the I-15 rebuild in Utah County. In August, a record of decision will allow the department to move forward with construction. They have hired a consulting firm that is helping the department with program delivery which will enable the department to hire a design/build contractor next year with the expectation that construction will begin 2010. Mr. Njord stated that the American Fork Interchange will be built next year in conjunction with a highway that will run parallel to SR 73 (Main St. in Lehi) and perpendicular to I-15.

Mr. Njord also talked about repairs to the "gap" or the portion of I-15 that lies between Salt Lake County and American Fork. During the next general session, UDOT will be presenting three different scenarios on how to make those repairs.

Pres. Valentine declared a conflict of interest in that he is representing a client that is impacted by the American Fork Interchange.

Rep. King commented that despite a reduction in the speed limit to accommodate six highway projects between Moab and Provo, traffic has not been impeded. He publicly thanked the Transportation Commission and UDOT for the steps they have taken in mitigating traffic stoppages.

Mr. Adams concluded his remarks by recognizing the innovative work of UDOT's engineers.

5. 2006/2007 General Sessions Building Block Follow-Up Report

Stan Eckersley, LFA, presented a revised "Building Block Follow-Up Report" for FY 2007 and FY 2008. This report was originally given in the December 2007 Executive Appropriations Committee meeting.

Mr. Eckersley noted one error on page 11 for CHIP enrollment expansion that reads \$4 million on-going for FY 2008. The correct amounts are \$2 million one-time and \$2 million ongoing, FY 2008.

Rep. Bigelow explained that the report is meant to be instructive and helpful in examining what has been done with approved funding. He stated that the report was excellent and encouraged committee members to use it to follow up on specific funding items.

6. PEHP Preferred Transition Report

Danny Schoenfeld, LFA, explained that Section 2 of H.B. 4, State Agency and Higher Education Compensation Amendments, required that the Department of Human Resource Management (DHRM) in cooperation with the Utah Retirement Systems (URS) certify that Public Employee Health Plan Preferred Care employer costs are equal to the Public Employee Health Plan Advantage Care and Public Employee Health Plan Summit Care plans. Certification was also required from URS that there are no increases in

premium costs for the Public Employee Health Plan Advantage Care and Employee Health Plan Summit Care plans.

Mr. Schoenfeld called attention to the documents under Tab 6 that includes a letter of certification from DHRM to PEHP certifying that the above requirements have been satisfied.

Mr. Schoenfeld also referenced a document prepared by PEHP which provides preliminary information on enrollment migration for employees currently on Preferred Care changing to another PEHP plan (Advantage Care, Summit Care, or High Deductible Health Plan). To date, the changes represent about 77 percent of the current enrollees in Preferred Care. PEHP will submit a final report to the Legislative Fiscal Analyst's office in early July 2008 after all enrollment changes are processed.

Jeff Jensen, Director, PEHP, briefly commented on the enrollment migration. He pointed out that February projections assumed a 70 percent migration. To date, migration is 77 percent with Preferred Care dropping to approximately 2,000 enrollees. PEHP estimates that there are slightly in excess of 1,000 unprocessed enrollment forms in-house.

Sen. Bramble asked if any additional savings realized through a higher percentage of migration would be rolled back into employee compensation. Rep. Bigelow responded appropriations have been established for FY 2009 and that any changes to the appropriations will have to be addressed in subsequent sessions.

Mr. Jensen reported on the expansion of PEHP's Summit Care provider network throughout Utah and contiguous states. He stated that over 51 percent of providers in contiguous states have signed up which represents over 90 percent of the claims processed for providers outside the state of Utah during the past year.

Sen. Hillyard asked if other entities had opted to generate savings. Mr. Jensen explained that Higher Education and the Applied Technology Colleges have been included. Local governments and independent entities do not fall within the purview of the state.

Rep. King stated that he was very impressed with the speed in which PEHP went forth in expanding the Summit Care panel of doctors.

7. Other Business

Co-Chair Bigelow called attention to the "Drug Offender Reform Act Report" under Tab 7 which satisfies the reporting requirement under S.B. 50 - Drug Offender Reform Act.

Co-Chair Bigelow entertained a motion to adjourn.

MOTION: Co-Chair Hillyard moved to adjourn. The motion passed unanimously with Speaker Curtis and Rep. King absent for the vote.

Co-Chair Bigelow adjourned the meeting at 3:00 p.m.